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CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

中國國家文化產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 745)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2021**

The board of directors (the “Board”) of China National Culture Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2021, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	78,095	77,116
Cost of sales		<u>(54,970)</u>	<u>(62,040)</u>
Gross profit		23,125	15,076
Other revenue	5	844	2
Administrative expenses		(26,070)	(24,909)
Other gains or losses	5	(68,562)	(104,585)
Finance costs		<u>–</u>	<u>(8)</u>
Loss before taxation	6	(70,663)	(114,424)
Income tax – credit	7	14,346	22,197
Loss for the year attributable to the owners of the Company		<u>(56,317)</u>	<u>(92,227)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
– Basic and diluted	9	<u>(10.22)</u>	<u>(18.79)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(56,317)</u>	<u>(92,227)</u>
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	3,869	(11,857)
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain/(loss) on investment in equity instruments at fair value through other comprehensive income ("FVTOCI")	<u>990</u>	<u>(8,293)</u>
Other comprehensive income/(expense) for the year, net of income tax	<u>4,859</u>	<u>(20,150)</u>
Total comprehensive expense for the year attributable to the owners of the Company	<u><u>(51,458)</u></u>	<u><u>(112,377)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		–	10
Right-of-use asset		–	60
Intangible assets		30,965	78,155
Equity instruments at FVTOCI		4,400	3,410
Prepayments for acquisition of a film right/ Investment in a film right		–	5,750
		<u>35,365</u>	<u>87,385</u>
Current assets			
Financial assets held for trading		20,185	13,604
Accounts receivable	10	38,312	59,500
Prepayments, deposits and other receivables		2,219	6,552
Cash and cash equivalents		5,725	5,276
		<u>66,441</u>	<u>84,932</u>
Total assets		<u>101,806</u>	<u>172,317</u>
EQUITY			
Capital and reserves			
Share capital		23,555	196,288
Reserves		42,295	(86,539)
Total equity		<u>65,850</u>	<u>109,749</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Accounts payable	<i>11</i>	10,821	22,942
Other payables and accruals		16,517	17,991
Provision		–	200
Lease liability		–	62
Tax payables		–	1,409
Contract liabilities		878	426
		<u>28,216</u>	<u>43,030</u>
Non-current liabilities			
Deferred tax liabilities		7,740	19,538
Total liabilities		<u>35,956</u>	<u>62,568</u>
Total equity and liabilities		<u>101,806</u>	<u>172,317</u>
Net current assets		<u>38,225</u>	<u>41,902</u>
Total asset less current liabilities		<u>73,590</u>	<u>129,287</u>
Net assets		<u>65,850</u>	<u>109,749</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

China National Culture Group Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 1104A, 11/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

The principal activities of the Company and its subsidiaries (the “Group”) are provision of the advertising media services, e-commerce, film production and distribution business.

The consolidated financial statements are prepared in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Except for the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

Note:

- ¹ Effective for annual periods beginning on or after 1st January 2023
- ² Effective for annual periods beginning on or after 1st January 2022
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Effective for annual periods beginning on or after 1st June 2020
- ⁵ Effective for annual periods beginning on or after 1st January 2021
- ⁶ Effective for annual periods beginning on or after 1st April 2021

The directors anticipate that the application of all new and amendments to HKFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the purposes of resources allocation and performance assessment, information is reported to the CODM, based on the following operating and reportable segments:

- (a) the advertising segment – provision of advertising and value-added services through mobile devices;
- (b) the movie segment – trading and production of films and provision of other film related services; and
- (c) the e-commerce segment – sale of products over the internet.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	Revenue		Results	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advertising	65,021	48,835	22,001	14,685
Movie	4,000	–	1,000	–
E-commerce	9,074	28,281	124	391
	<u>78,095</u>	<u>77,116</u>	<u>23,125</u>	<u>15,076</u>
Other revenue and unallocated gains			844	2
Corporate and other unallocated expenses			<u>(94,632)</u>	<u>(129,502)</u>
Loss before taxation			(70,663)	(114,424)
Income tax – credit			<u>14,346</u>	<u>22,197</u>
Loss for the year			<u>(56,317)</u>	<u>(92,227)</u>

There were no inter-segment sales during the year (2020: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, impairment loss in respect of finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets, other than equity instruments at FVTOCI, by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	5,266	1,589	–	5,760
The PRC	72,829	75,527	30,965	78,215
	<u>78,095</u>	<u>77,116</u>	<u>30,965</u>	<u>83,975</u>

The following is an analysis of the Group's assets and liabilities by operating segment:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Advertising	70,481	109,868	34,127	38,502
Movie	–	5,750	–	–
E-commerce	2,573	36,723	301	18,344
	<u>73,054</u>	<u>152,341</u>	<u>34,428</u>	<u>56,846</u>
Unallocated	28,752	19,976	1,528	5,722
	<u>101,806</u>	<u>172,317</u>	<u>35,956</u>	<u>62,568</u>
Consolidated total	<u>101,806</u>	<u>172,317</u>	<u>35,956</u>	<u>62,568</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets held for trading and unallocated head office and corporate assets.
- all liabilities are allocated to reportable segments other than current tax liabilities, consideration payable and unallocated head office and corporate liabilities.

Other segment information

The following other segment information included in reports provided regularly to CODM, but not included in segment result.

For the year ended 31 March 2021

	Advertising HK\$'000	Movie HK\$'000	E-commerce HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of right-of-use asset	–	–	–	60	60
Depreciation of property, plant and equipment	–	–	10	–	10
Amortisation	3,002	–	–	–	3,002
Impairment loss in respect of intangible assets	48,885	–	–	–	48,885
	<u>48,885</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>48,885</u>

For the year ended 31 March 2020

	Advertising HK\$'000	Movie HK\$'000	E-commerce HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Depreciation of right-of-use asset	–	–	–	180	180
Depreciation of property, plant and equipment	–	–	40	–	40
Amortisation	6,843	–	–	–	6,843
Impairment loss in respect of intangible assets	86,241	–	–	–	86,241
Impairment loss in respect of goodwill	17,006	–	–	–	17,006
	<u>17,006</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,006</u>

Revenue from its major services

The Group's revenue from its major services/products was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Advertising	65,021	48,835
Movie	4,000	–
E-commerce	9,074	28,281
	<u>78,095</u>	<u>77,116</u>

Information about major customers

Revenue from customers of the years ended 31 March 2021 and 2020 contributing over 10% of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A – E-commerce	N/A*	20,269

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2021 and 2020.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. REVENUE

An analysis of revenue, other revenue and other gains or losses is as follows:

Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue:		
Advertising	65,021	48,835
Movie	4,000	–
E-commerce	9,074	28,281
	<u>78,095</u>	<u>77,116</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition		
Point in time	13,074	28,281
Over time	65,021	48,835
	<u>78,095</u>	<u>77,116</u>

Performance obligations for contracts with customers

a) Advertising

Revenue from advertising is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) Movie

Revenue from movie is therefore recognised at a point in time when the film right is delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable.

c) E-commerce

Revenue from e-commerce is therefore recognised at a point in time when the goods is delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to customers from e-commerce.

5. OTHER REVENUE AND OTHER GAINS OR LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other revenue:		
Government subsidies	339	–
Repair and maintenance services	505	–
Sundry income	–	2
	<u>844</u>	<u>2</u>
Other gains or losses:		
Fair value changes on financial assets held for trading	1,664	(4,034)
Exchange loss	336	(26)
Reversal of provision	4,770	3,347
Impairment loss in respect of		
– goodwill	–	(17,006)
– accounts receivable	(19,897)	(508)
– other receivable	(3,800)	(117)
– intangible assets	(48,885)	(86,241)
– investment in a film right	(2,750)	–
	<u>(68,562)</u>	<u>(104,585)</u>

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditors' remuneration	640	730
Depreciation of property, plant and equipment	10	40
Depreciation of right-of-use asset	60	180
Amortisation	3,002	6,843
Staff costs (excluding directors' remuneration)		
– wages and salaries	2,707	2,606
– Pension scheme contributions	40	66
– Equity-settled share-based payments expenses	1,005	2,472
	<u>3,752</u>	<u>5,144</u>
Expenses related to short-term lease:		
– office premises	145	159
Equity-settled share-based payments expenses		
– consultants	–	550
	<u>–</u>	<u>550</u>

7. INCOME TAX – CREDIT

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

For the year ended 31 March 2021, no provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong (2020: Hong Kong Profits Tax was calculated at a flat rate of 16.5%).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Provision for the year		
– Hong Kong profits tax	36	1,409
Over provision in prior years		
– Hong Kong profits tax	(1,409)	(335)
	<u>(1,373)</u>	<u>1,074</u>
Deferred tax		
– Original and reversal of temporary difference	(12,973)	(23,271)
	<u>(14,346)</u>	<u>(22,197)</u>

8. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2020: Nil), nor has any dividend been declared since the end of the reporting period (2020: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year and attributable to the owners of the Company	<u>(56,317)</u>	<u>(92,227)</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>551,221</u>	<u>490,721</u>

The computation of diluted loss per share for the years ended 31 March 2020 and 2021 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

On 21 May 2020, the Company completed a share consolidation which involved the consolidation of every twenty ordinary shares of the Company of HK\$0.02 each into one consolidated share of HK\$0.40 each.

On 28 July 2020, the par value of the ordinary shares was changed to HK\$0.04 each by cancelling the paid-up capital to the extent of HK\$0.36 each of the shares.

10. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable at the end of the reporting period which based on the date of recognition of revenue, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	5,016	3,664
31-60 days	4,960	2,927
61-90 days	4,775	4,403
91-365 days	23,754	38,885
Over 365 days	<u>22,278</u>	<u>12,015</u>
	60,783	61,894
Less: Impairment loss in respect of accounts receivable	<u>(22,471)</u>	<u>(2,394)</u>
	<u>38,312</u>	<u>59,500</u>

11. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable at the end of the reporting period, is presented based on the invoice dates as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	827	1,799
31-60 days	828	1,681
61-365 days	8,083	17,337
Over 365 days	1,083	2,125
	<hr/> 10,821 <hr/>	<hr/> 22,942 <hr/>

12. EVENTS AFTER REPORTING PERIOD

Issue of new shares (“Placing”)

On 26 April 2021, a total of 117,772,920 new shares were issued through placing at the placing price of HK\$0.145 per share. Details of the Placing is disclosed in the announcement of the Company dated on 3 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2021, the Group recorded a revenue of approximately HK\$78,095,000 (2020: HK\$77,116,000), representing an increase of 1.3% as compared with last year. The increase in turnover in the current year mainly due to the turnover generated from movie segment. The Group recorded a gross profit of approximately HK\$23,125,000 for the year ended 31 March 2021 as compared with a gross profit of approximately HK\$15,076,000 for the year ended 31 March 2020. The gross profit margin increased to 29.6% for the year ended 31 March 2021 from 19.5% for the year ended 31 March 2020. The increase was mainly because the advertising business segment has upgraded the services to the existing clients in order to enhance the competitiveness in the market.

Loss attributable to the owners of the Company amounted to approximately HK\$56,317,000 for the year ended 31 March 2021 as compared with a loss attributable to the owners of the Company amounted to approximately HK\$92,227,000 for the year ended 31 March 2020. The net loss reported by the Group was mainly arising from the impairment loss recognised in respect of intangible assets.

Financial Review

As at the end of the year, non-current assets decreased to approximately HK\$35,365,000 (2020: HK\$87,385,000) due to impairment loss recognised on intangible assets during the year. Current assets decreased due to the decrease in accounts receivable, prepayment, deposits and other receivables. Total current liabilities were decreased due to the decrease in accounts payable.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2021:

Name of investee	As at		Fair value gain/(loss) HK\$'000	As at		Percentage to the Group's audited total assets as at 31 March 2021 %	Number of shares held by the Group as at 1 April 2020	Percentage of shareholding held by the Group as at 1 April 2020 %	Number of shares held by the Group as at 31 March 2021	Percentage of shareholding held by the Group as at 31 March 2021 %
	1 April 2020 HK\$'000	Gain on disposal HK\$'000		31 March 2021 HK\$'000	31 March 2021 %					
Significant investments										
Capital VC Limited ("Capital VC") (stock code: 2324.HK) (note a)	2,400	-	450	2,850	2.8%	100,010,000	3.63%	10,001,000	2.91%	
Asia Grocery Distribution Limited ("Asia Grocery") (stock code: 8413.HK) (note b)	4,032	-	(1,512)	2,520	2.5%	10,080,000	0.87%	10,080,000	0.87%	
Sub-total	6,432	-	(1,062)	5,370	5.3%					
Other listed securities	7,172	-	2,726	14,815	14.5%					
Total	13,604	-	1,664	20,185	19.8%					

Note: (a) Capital VC is engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China. Based on Capital VC's interim report for the six months ended 31 March 2021, turnover and profit of Capital VC were approximately HK\$53.2 million and HK\$47.0 million respectively.

(b) Asia Grocery is engaged in trading and distribution of food and beverage grocery products in Hong Kong. Based on Asia Grocery's quarterly report for the nine months ended 31 December 2020, turnover and profit of Asia Grocery were approximately HK\$176,930,000 and HK\$2,196,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 31 March 2021, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group.

Equity instruments of FVTOCI as at 31 March 2021

Name of investee	As at	Gain on disposal	Fair value loss	As at	Percentage to the	Number of shares held by the Group as at 1 April 2020	Percentage of shareholding held by the Group as at 1 April 2020	Number of shares held by the Group as at 31 March 2021	Percentage of shareholding held by the Group as at 31 March 2021
	1 April 2020			31 March 2021	Group's audited total assets as at 31 March 2021		as at 31 March 2021		as at 31 March 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%		%		%
Luxxu Group Limited ("LUXXU") (stock code: 1327) (note)	2,229	-	(258)	1,971	1.9%	17,142,800	4.96%	17,142,800	4.13%
Other listed securities	1,181	-	1,248	2,429	2.4%				
Total	3,410	-	990	4,400	4.3%				

Note: LUXXU is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery accessories, OEM watches and third-party watches. Based on LUXXU annual report for the year ended 31 December 2020, revenue and loss of LUXXU were approximately RMB62.9 million and RMB146.2 million respectively.

No impairment loss was recognised in relation to the equity instruments of FVTOCI by reference to the market price of the equity instruments of FVTOCI as at 31 March 2021.

Except the equity instruments of FVTOCI disclosed above, at 31 March 2021, there was no equity instruments of FVTOCI held by the Group the value of which was more than 5% of the total assets of the Group.

Capital structure

Authorised share capital

As at 31 March 2021, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,000,000,000 divided into 25,000,000,000 shares ("Shares") of HK\$0.04 each and 3,500,000,000 non-voting convertible preference shares of HK\$0.14 each.

After the share consolidation which effective on 21 May 2020, the Authorised Share Capital become HK\$1,000,000,000 divided into 2,500,000,000 Shares of HK\$0.40 each and 350,000,000 non-voting preference shares of HK\$1.40 each.

After the share sub-division which effective on 28 July 2020, the Authorised Share Capital become HK\$1,000,000,000 divided into 25,000,000,000 Shares of HK\$0.04 each and 3,500,000,000 non-voting convertible preference Shares of HK\$0.14 each.

Issued share capital

As at 31 March 2021, the number of Shares in issue was 588,864,600 Shares of HK\$0.04 each. Except for the changes mentioned below, the issued share capital of the Company had no other changes during the year ended 31 March 2021.

After the share consolidation which effective on 21 May 2020, the issued share capital become 490,720,500 Shares of HK\$0.40 each.

On 4 August 2020, the Company conditionally agreed to place up to 98,144,100 ordinary shares at the placing price of HK\$0.065 per placing shares to not less than six places. The Placing was completed on 19 August 2020 and a total of 98,144,100 ordinary shares had been successfully placed to the places.

USE OF PROCEEDS

Placing

On 4 August 2020, the Company conditionally agreed to place up to 98,144,100 ordinary shares at the placing price of HK\$0.065 per placing shares to not less than six places. The Placing was completed on 19 August 2020 and a total of 98,144,100 ordinary shares had been successfully placed to the places. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the Placing amounted to approximately HK\$6.2 million. The Company intended to use such net proceeds for the general working capital of the Group and improve the cash position of the Group which then can help establishing and strengthening the existing and future business of the Group. As at the date of this announcement, the net proceeds were fully utilized as intended.

Liquidity and financing

The Group had total cash and bank balances of approximately HK\$5,725,000 as at 31 March 2021 (2020: HK\$5,276,000). The Group recorded total current assets of approximately HK\$66,441,000 as at 31 March 2021 (2020: HK\$84,932,000) and total current liabilities of approximately HK\$28,216,000 as at 31 March 2021 (2020: HK\$43,030,000).

There were no bank borrowings as at 31 March 2021 (2020: Nil). The Group's gearing ratio, remained as zero (2020: zero).

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars. The Group conducts its core business transaction mainly in Hong Kong dollars or Renminbi such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 31 March 2021, no asset of the Group was being pledged as there is no external financing (2020: Nil).

Capital commitment

As at 31 March 2021, the Group had capital expenditure contracted for but not provided for in the financial statements of approximately HK\$2,566,000 (2020: HK\$12,531,000).

Contingent liabilities

As at 31 March 2021, the Group had no material contingent liabilities (2020: Nil).

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquisition of Capital Assets

Save for those disclosed in this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 March 2021. Apart from those disclosed in this announcement, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this announcement.

No Material Changes

Saved as disclosed in this announcement, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules for the year ended 31 March 2021.

Share Option Scheme

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 29 August 2014. The scheme mandate limit of which has been refreshed at the annual general meeting of the Company on 31 August 2017, 27 September 2019 and 29 September 2020. During the year under review, 49,070,000 share options were granted, 49,072,000 share options were lapsed and no share option was exercised nor cancelled. As at the date of this announcement, there are 98,140,000 outstanding share options.

Up to the date of this announcement, 98,140,000 share options has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK\$0.40 each of the Company.

Category of participants	Date of grant	Number of share options					Outstanding as at 31 March 2021	Vesting period	Exercisable period	Exercise price per share (HK\$)
		Outstanding as at 1 April 2020	Granted during the year ended 31 March 2021	Exercised during the year ended 31 March 2021	Lapsed during the year ended 31 March 2021	Forfeited during the year ended 31 March 2021				
Executive directors										
Sun Wei	21 August 2019	4,907,000	-	-	-	-	4,907,000	no	6 years	0.40
Man Qiaozhen	21 August 2019	4,907,000	-	-	-	-	4,907,000	no	6 years	0.40
Independent non-executive directors										
Wang Miaojun	18 August 2020	-	4,907,000	-	-	-	4,907,000	no	5 years	0.076
Wang Yujie	18 August 2020	-	4,907,000	-	-	-	4,907,000	no	5 years	0.076
Employees										
	2 August 2017	4,907,000	-	-	(4,907,000)	-	-	no	7 years	0.40
	21 August 2019	29,442,000	-	-	-	-	29,442,000	no	6 years	0.40
							(note (i))			
	18 August 2020	-	39,256,000	-	-	-	39,256,000	no	5 years	0.076
							(note (ii))			
Consultants										
	2 August 2017	44,165,000	-	-	(44,165,000)	-	-	no	7 years	0.40
	21 August 2019	9,814,000	-	-	-	-	9,814,000	no	6 years	0.40
							(note (iii))			
		<u>98,142,000</u>	<u>49,070,000</u>	<u>-</u>	<u>(49,072,000)</u>	<u>-</u>	<u>98,140,000</u>			

Notes:

- (i) The share options have been granted to 6 employees and each of them hold 4,907,000 share options.
- (ii) The share options have been granted to 8 employees and each of them hold 4,907,000 share options.
- (iii) The share options have been granted to 2 consultants and each of them hold 4,907,000 share options.
- (iv) The closing price of the shares immediately before the date of share options granted on 18 August 2020 is HK\$0.076.
- (v) The movements of the Company's share options were adjusted for the share consolidation effective on 21 May 2020.

Details of the Share Option Scheme are as follows:

1. Purposes

The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company.

2. Qualifying participants

The qualifying participants include (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; and (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board. If options are granted to the participants, regards will be had as to, inter alia, the relationship of the grantee to the Group, the length of time of relationship, the contribution made or to be made to the Group, etc.

3. Maximum number of shares

The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall be 58,886,460 Shares, approximately 10% of the Shares in issue as at 29 September 2020. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

4. Maximum entitlement of each participant

Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the individual limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval separately in general meeting of the Company with such participant and his/her associates abstaining from voting.

5. Option period

The option period is determined by the Board provided that it is not later than ten (10) years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6. Acceptance of offer

An offer of the grant of an option may be accepted within 28 days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof.

7. Exercise price

The exercise price of the option shall be determined at the discretion of the Directors which shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

8. Remaining life of the scheme

It shall be effective for a period of ten (10) years commencing on 29 August 2014.

Save for those disclosed in this announcement, at no time during the year ended 31 March 2021 was the Company, nor any of its, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

Employee Information

As at 31 March 2021, the Group had 22 (2020: 27) employees whom are employed in Hong Kong and the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Prospects

Entering the year of 2021, the Group opts for looking ahead positively with hopes. Along with the success in the research and development of new vaccines in some countries and the widespread vaccination of the same, the anti-epidemic work claims one silver lining. The Group has been actively seeking new business opportunities from time to time in order to (1) broaden the source of income; (2) diversify its business; and (3) enhance the long-term growth potential of the Group and the shareholder’s value.

Looking forward, the Group will strive to enhance its profitability, judge the hour and size up the situation and make good use of government policies and national development plans in order to maximize its investment return and position to appropriate business opportunities in pursuing healthy and stable growth.

To achieve this vision, our future plans including but not limited to:

- Continued development of advertising and e-commerce related businesses;
- Expansion of advertising and e-commerce related business through acquisition and/or co-operation;

- Strategic investments in both regional and overseas film, web series and TV series contents productions; and
- Diversifying the Group’s business portfolio in other business sector, including but not limited to media and culture related business.

The Group will keep the shareholders abreast of the latest development of the Group.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 March 2021.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 March 2021, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Provisions of Corporate Governance Code

Except for the following deviations, the Group has adopted and met all the Code Provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Listing Rules throughout the year ended 31 March 2021.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 23 March 2021, Mr. Shi Junfeng has been appointed as Chairman and thus the deviation has been resolved during the year.

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices in this respect are no less exacting than those of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors, Ms. Wang Miaojun and Ms. Wang Yujie were unable to attend the annual general meeting of the Company held on 29 September 2020.

As to the deviation from code provisions A.2.1 and A.4.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly. For deviation from code provision A.6.7 of the CG Code, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the year ended 31 March 2021.

Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2021, the interests and short positions of the Directors, chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of Director	Number of issued ordinary shares/ underlying shares of the Company			Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Ms. Sun Wei					
– Unlisted share options	4,907,000	–	–	4,907,000	0.83%
Ms. Man Qiaozhen					
– Unlisted share options	4,907,000	–	–	4,907,000	0.83%
Ms. Wang Miaojun					
– Unlisted share options	4,907,000	–	–	4,907,000	0.83%
Ms. Wang Yujie					
– Unlisted share options	4,907,000	–	–	4,907,000	0.83%

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

Directors' Rights to Acquire Shares

During the year ended 31 March 2021, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or any other body corporate.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 March 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Interests in Competing Business

None of the Directors had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the year ended 31 March 2021.

Audit Committee

During the year ended 31 March 2021, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie. Mr. Liu Kwong Sang, who possess appropriate professional qualifications, accounting and financial management expertise, is the chairman of the Audit Committee. The primary duties of the Audit Committee are: to independently review and supervise the financial reporting process, internal control and risk management systems on an ongoing basis, to ensure good communications among Directors and the Company's auditor, to recommend the appointment of external auditor on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the consolidated financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

Major Events after the Reporting Period

On 26 April 2021, a total of 117,772,920 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at Placing Price of HK\$0.145 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing. For further details, please refer to the announcement of the Company dated 8 April 2021 and 3 May 2021.

Disclosure of Information on the Stock Exchange's Website

All the financial and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website and the Company's website in due course. Printed copies of 2021 annual report of the Company will be despatched to shareholders of the Company and available on the aforesaid websites in due course.

APPRECIATION

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
China National Culture Group Limited
SHI Junfeng
Chairman and Executive Director

Hong Kong, 28 June 2021

As at the date of this announcement, the Board comprises Mr. SHI Junfeng (Chairman), Ms. SUN Wei and Ms. MAN Qiaozhen as Executive Directors and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie as Independent Non-Executive Directors.